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SUBJECT: THE MYTH-BUSTING TOWN ON THE PRIMORYE COAST

¶1. Vladivostok Consul General and PolOff joined a USAID delegation on a visit to the small timber-producing town of Plastun on Primorye's Pacific coast and discovered an economically thriving town with foreign investment, a stable population, and the only known golf course in the Russian Far East. The town illustrates how stereotypes of the Russian Far East are often incorrect.

Myth: Populations Are Declining Everywhere

¶2. Though the populations of many rural Far East towns have decreased from their peaks, some towns have actually grown, while other one-company towns are disappearing. The town of Plastun currently has a full-time population of about 7,000, which is an increase of about one thousand compared to the year ¶2001. Plastun is also very much a company town, and according to Sergey Kurchinskiy, the head of the municipal region, about 35 percent of the population of the area works at the Terneyles timber plant in town and at wood harvesting sites and ports nearby. The company even attracts outsiders to the town -- most of the inhabitants the Consulate delegation talked to left major regional centers such as Vladivostok, Khabarovsk, and Nakhodka to join the company and live in Plastun. The town's fate very strongly depends on the fate of Terneyles, a company that the Japanese firm Sumimoto has a 44 percent stake in, but for the time being the company is strong and largely unaffected by the financial crisis.

Myth: There's No Processing Industry in the Far East

¶3. Authorities in Moscow have been trying with various degrees of success to encourage natural resource processing industries in the East to add value to the abundant raw resources harvested there. While it is true that much of the raw material extracted and produced in the RFE is exported to China for processing, the situation in Plastun is different. Terneyles initially dealt only with raw timber which it exported mostly to Asia and Western Russia. But after successfully attracting significant investment from the Japanese company, the company has branched out into plywood production for domestic consumption and export to Japan and Korea. The company remains profitable and has also recently purchased some heavy equipment, including an American dry kiln and Caterpillar earthmovers, from the U.S.

Myth: There's No Infrastructure in Rural Areas

¶4. Though infrastructure development in the rural East has lagged behind that of some of the major population centers, Plastun has an impressive infrastructure for such a small town. Its roads are paved, and it has a port which supports the timber company as well as brings consumer products to the town. A small airstrip outside of town handles weekly flights to Vladivostok and another regional town. The flights are subsidized by the federal government, and cost only about USD 35 for a distance that takes nine hours to travel by car.

## Myth: The Far East Has No Golf Courses

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15. Municipal leaders were eager to show off their town's golf course. Eduard Mashkov, Deputy General Director of Terneyles is the town's most experienced player, and serves as instructor and unofficial ambassador to those new to the game, encouraging interest in the sport throughout the region. The nine-hole facility, set in a picturesque wooded valley, is open to anyone interested in the sport, and has been used by visiting investors and diplomats as well as a significant number of locals. The town even holds annual golf tournaments at the course to support various charities.

16. Comment. The rural areas of the Russian Far East are certainly not without problems, but it is important to note that there are bright spots as well. The town of Plastun shows that given a steady economic base and sufficient foreign investment, the rural areas of the Far East are capable of flourishing and being profitable for local inhabitants and investors alike. Getting to this point was not easy. One official we spoke with, who is a United Russia party member, has effectively boycotted trips to Moscow for 20 years, insisting that locals are better equipped to handle local issues. However, his assistant informed us that wresting control from Moscow was not easy, and our official, like many others, had to pay heavy bribes 20 years ago to gain control of the port and timber factory and allow for local and foreign investment chosen by Plastun residents, and not Moscow powerbrokers.

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